

VZCZCXRO7929  
OO RUEHRG  
DE RUEHBR #0128/01 0251033  
ZNY CCCCC ZZH  
O 251033Z JAN 07  
FM AMEMBASSY BRASILIA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7922  
INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 5911  
RUEHBO/AMEMBASSY BOGOTA PRIORITY 4085  
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 4550  
RUEHCV/AMEMBASSY CARACAS PRIORITY 3587  
RUEHGT/AMEMBASSY GUATEMALA PRIORITY 0319  
RUEHLP/AMEMBASSY LA PAZ PRIORITY 5123  
RUEHPE/AMEMBASSY LIMA PRIORITY 3336  
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 6721  
RUEHOT/AMEMBASSY OTTAWA PRIORITY 1008  
RUEHPU/AMEMBASSY PORT AU PRINCE PRIORITY 0165  
RUEHQT/AMEMBASSY QUITO PRIORITY 2114  
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 6053  
RUEHRG/AMCONSUL RECIFE PRIORITY 6142  
RUEHRI/AMCONSUL RIO DE JANEIRO PRIORITY 3754  
RUEHSO/AMCONSUL SAO PAULO PRIORITY 9069  
RUEKJCS/SECDEF WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUMIAAA/USCINCSO MIAMI FL PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 000128

SIPDIS

SIPDIS

E.O. 12958: DECL: 01/11/2017

TAGS: [PREL](#) [BR](#)

SUBJECT: BRAZIL: AMBASSADOR'S MEETING WITH PRESIDENTIAL  
FOREIGN POLICY ADVISOR

Classified By: AMBASSADOR CLIFFORD SOBEL. REASONS: 1.4 (B)(D).

¶1. (C) Summary. Ambassador Sobel, accompanied by PolCouns, met on 12 January with President Lula's Foreign Affairs Advisor, Marco Aurelio Garcia, for a tour d'horizon of regional and bilateral issues as Lula starts his second mandate. Garcia is one of Lula's closest advisors and has frequently served as Lula's special envoy to Venezuela, Bolivia, Central America and Haiti. (He had just returned from representing Lula at Ortega's inauguration in Nicaragua.) This was the Ambassador's first, extended one-on-one meeting with Garcia, who offered assessments on Venezuela, Bolivia, the nature of populism in Latin America, and areas for discussion in a possible meeting this year between Presidents Lula and Bush. Detailed discussion of these themes follow below. End summary.

#### VENEZUELA

¶2. (C) Ambassador noted President Hugo Chavez's inauguration speech's references to "socialism or death," and indications Chavez will attempt to create conditions for his indefinite permanency in the presidency. Observing that Venezuela and Brazil are recognized as regional giants, Ambassador asked Garcia, who has met frequently with Chavez, for his assessment of the direction Chavez's regime is taking.

¶3. (C) Garcia observed that Chavez is in the process of making major changes, both in cabinet personnel and the substance of his government, and the impact of these changes on Brazil and the region remain to be seen. On the substantive level, Garcia said emerging changes -- including the two sectoral nationalizations and undercutting of Central Bank independence -- appear to further consolidate Chavez's Venezuela as "an oil state." Historically, Garcia said, the Venezuelan oil state distributed wealth upward, while Chavez's regime purports to distribute it downward. In either scenario, the continuing collapse of other productive

sectors of the economy (e.g., agriculture) -- to the point that Venezuela cannot even satisfy its own internal market -- bodes ill for Venezuela over the long term, Garcia added. Garcia said the GOB had repeatedly warned Chavez of the risks, telling him oil is "both an asset and a curse."

¶4. (C) Garcia said it is very clear that Chavez will aggressively continue to seek the role of political and ideological leader in the region. Expanding on this, Garcia opined that Chavez's ideology is diffuse: "It has a strong nationalistic component, is critical of liberal economic models in the region, has unorthodox socialistic features, and is fueled by social degradation in much of the Andean ridge." Garcia said this is not necessarily traditional Latin American "populism" but rather "Chavezism" -- which is a Venezuelan phenomenon, born of specific conditions and history of which Chavez "is an effect, not a cause." In that sense, Garcia believed the effects of Chavezism on the region vary. Colombia and Argentina are developed states, where social and political circumstances will limit Chavez's impact. In other states, the impact is significant but will still reflect local reality, and thus is not likely to replicate "Chavezismo" as seen in Venezuela, Garcia said. Ecuador is an example, Garcia opined, where president-elect Correa -- "a well-educated realist" -- may profess closeness to Chavez on some questions, but is also likely to pursue pragmatic ties with Brazil, other regional countries and the U.S. on many issues.

#### BOLIVIA

¶5. (C) Segueing to Bolivia (where Garcia has traveled during crises as Lula's envoy), Garcia reiterated his view that

BRASILIA 00000128 002 OF 003

Bolivia is undergoing "a true revolution, wrought with votes instead of weapons," a revolution driven by internal dynamics that would be underway with or without Chavez's influence. All revolutions pass through phases of high instability, witness the current tumult in some parts of Bolivia, Garcia added. Nonetheless, Garcia downplayed the potential for violent succession scenarios. and opined Bolivia's armed forces would support Evo Morales and unity in any such challenge. Garcia said Brazil would also support the Bolivian government in any unity crisis. Morales' challenge, Garcia said, is to takes steps and establish conditions that move Bolivia toward a modern industrial model that benefits its general population. Lula and the GOB have tried to be patient in viewing the May nationalization of energy assets and other strident or ill-conceived actions in that context. Slowly, Morales appears to be realizing that he needs international support and cooperation, and Brazil is trying to maintain a calm tone and productive engagement with Bolivia that reinforce stability and mitigate against anti-Brazil sentiments, Garcia said.

¶6. (C) The GOB and Brazilian companies are disposed to try to continue with substantial investment and purchases of Bolivian products, if Morales understands that cooperation, stability and transparency are essential, Garcia said. Petrobras is prepared to return to substantial activity and investment, "if we can get a good agreement." Chavez "is attempting to influence the ideological revolution in Bolivia, but Brazil wants to play a leading role in the economic revolution," Garcia said.

#### POPULISM AND FOREIGN TRADE

¶7. (C) In light of the above discussion, Ambassador asked whether Garcia could see emerging in Brazil -- especially in the poorest regions and among the most destitute -- a tendency toward political populism. Garcia noted that, in his re-inauguration speech, Lula had distinguished between a government that is "populist, and a government that is of the people." Brazil is the latter, and will remain so, Garcia said. Government intervention in crisis circumstances or to

boost the economy in intelligent fashion should not be seen as populist, Garcia said, and he alluded to FDR's New Deal as an example of intervention that was initially criticized as "populist" but which ultimately proved salutary. "Bad populism redistributes wealth without creating wealth," Garcia said, and averred Lula's government would never fall into such a trap.

18. (C) Ambassador then asked whether wealth creation and distribution were not best served by aggressive and open approaches to free trade -- especially with the U.S. and other developed markets -- and enhancing the climate for investment. Garcia replied that Brazil desires robust foreign trade, but is not exclusively "an export economy, like Chile," and must take a careful and integrated approach to trade and industrial development. In investment, Brazil's environment is stable and attractive; its problems are tax structure and bureaucracy, which require long-term solutions, Garcia said.

#### AGENDA FOR PRESIDENTS

19. (C) Responding to Ambassador's query about an agenda for a possible meeting later in 2007 between Presidents Bush and Lula, Garcia said he anticipates key areas of interest for Lula would include trade (Doha and bilateral) and regional issues. On the latter, Garcia said it was important that the meeting not appear to be a "strategy session" for common approaches at the expense of other countries in the region. In particular, Garcia said Brazil's "freedom of maneuver" in

BRASILIA 00000128 003 OF 003

trying to play a constructive role in Cuba's transition could be compromised by any perception in Cuba that the U.S. and Brazil are in cahoots.

10. (C) Comment. We anticipate Garcia will continue on in the second term as Lula's foreign policy advisor and international "fireman," a role Garcia clearly relishes. In the coming cabinet shuffle, only Chief of Staff for Policy or Minister of External Relations would likely tempt him away, and both those positions seem securely in the hands of their incumbents. Hence, with FM Amorim and Garcia staying on, we anticipate the overall direction of Brazilian foreign policy -- notably the rather low-key and cautious approach to Venezuela and Bolivia seen in the first Lula mandate -- will persist. That is not an approach that is in sync with increasingly concerned and negative assessments of Chavez and Morales in evidence in much of the Brazilian media, sectors of the armed forces and government, and the informed public. That tension is one of the most interesting foreign policy trends here heading into 2007 and the second Lula term, and one we will watch closely.

Sobel